Rural Nonfarm Earnings Increase in 1997, but Lag Urban Earnings Growth

During 1997, real earnings per nonfarm job grew more slowly in rural than in urban areas. Earnings per job grew slightly faster in low-wage rural counties than in other rural counties, but low-wage counties still have jobs that average far lower earnings in every major industry group.

Rural real earnings per nonfarm job rose by 1.3 percent during 1997, from $22,473 in 1996 to $22,985 in 1997. Urban real earnings per nonfarm job increased at a faster pace (2.1 percent), rising from $30,955 in 1996 to $32,825 in 1997. Since 1990, earnings per nonfarm job have fallen less or increased more in rural than in urban areas in only 2 years, 1993 and 1994 (fig. 1 and app. table 7). The rural-urban earnings gap persisted and widened during the 1990's. In 1989, rural earnings per nonfarm job were 73.8 percent of urban earnings. By 1997, that ratio had fallen to 70 percent.

Rural Earnings Lag Urban in All Nonfarm Industries

The rural-urban gap in earnings per nonfarm job exists in all industry sectors (table 1). During the 1990's, the gap widened sharply in four industry groups—agricultural services, forestry, and fishing; mining; transportation and public utilities; and finance, insurance, and real estate. The gap remained largest in the finance, insurance, and real estate industry. Rural earnings were only 54.3 percent of urban earnings in this industry in 1989 and fell to 45.8 percent of urban earnings by 1997. Rural jobs in this industry are more often part time and in lower paying administrative support and clerical occupations, while urban jobs in this industry are more often full time and in higher paying executive and technical occupations.

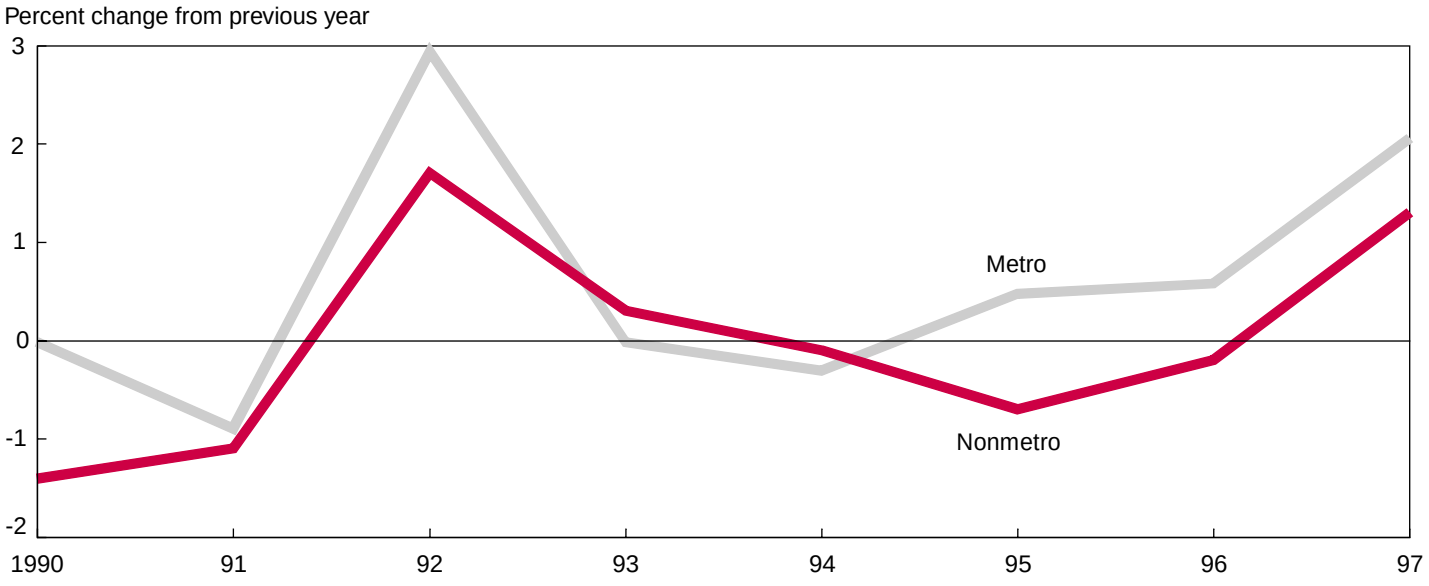
Earnings Per Nonfarm Job Increased More in Low-Wage Than in Other Rural Counties

During 1997, real earnings per nonfarm job grew more in low-wage rural counties (1.5 percent) than in other nonmetro counties (1.2 percent). (For an explanation of what a low-

Figure 1

Annual change in real earnings per nonfarm job, 1989-97

Nonmetro earnings per job grew faster than inflation in 1997, only the third annual increase in real nonmetro earnings so far in the 1990's



Note: Prevous years' earnings converted to 1997 dollars using the chain-type personal consumption expenditures price index.
Source: Calculated by ERS using data from the Bureau of Economic Analysis.

Table 1

Nonmetro real earnings per nonfarm job by industry, 1989 and 1997

Nonmetro earnings trail metro earnings in all nonfarm industries, and most gaps widened during the 1990's

Industry	1989		1997	
	Earnings per job	Ratio to metro earnings	Earnings per job	Ratio to metro earnings
	1997 Dollars	Percent	Dollars	Percent
Nonmetro nonfarm	23,059	73.8	22,985	70.0
Agricultural services, forestry, fishing, and other[1]	15,831	86.0	12,399	75.2
Mining	37,070	92.4	41,020	70.2
Construction	26,908	73.8	25,532	73.9
Manufacturing	30,767	70.3	32,204	67.6
Transportation and public utilities	36,030	82.6	33,305	73.1
Wholesale trade	27,272	66.2	28,877	64.9
Retail trade	14,505	81.2	13,758	79.5
Finance, insurance, and real estate	15,052	54.3	17,063	45.8
Services	18,452	64.1	18,954	63.2
Government	25,031	77.9	26,411	76.6

Note: Earnings and jobs in any industries other than government are suppressed in counties with few jobs in that industry or where a dominant employer accounts for a high share of the jobs in the industry. This suppression affects the calculation of earnings per job in both metro and nonmetro areas, causing the estimates shown here to vary somewhat from the true estimates that would be calculated if no county information were suppressed.
[1]Other is employees of foreign embassies working in the United States.
Source: Calculated by ERS using data from the Bureau of Economic Analysis.

wage county is, see the box on page 18). But this 1 year of slightly faster growth follows a decade of slower growth in low-wage counties. From 1989, the last year of growth before the 1990-91 recession, to 1991, earnings per job fell at an annual rate of 1.7 percent in low-wage counties, a faster rate of decline than in other rural counties (table 2). From 1991 to 1997, earnings per nonfarm job increased by 0.3 percent annually in low-wage counties, slightly slower than the 0.4 percent rate of increase in other nonmetro counties. The gap between real earnings per nonfarm job in low-wage and other rural counties grew from $4,734 in 1989 to $4,995 in 1997.

Earnings grew somewhat more in low-wage counties during 1997 because earnings in most industries, especially mining, manufacturing, and services, grew more in those counties than in other rural counties (table 3). The average earnings in every industry, however, are far lower than in other rural counties. The gap ranges from a high of over $15,000 per mining job to a low of $888 per agricultural services, forestry, and fishing job. Also, manufacturing jobs in low-wage counties average $10,000 per job lower earnings than manufacturing jobs in other nonmetro counties, and low-wage county jobs are much less concentrated in manufacturing. While manufacturing accounts for about 17 percent of jobs in other rural counties, manufacturing accounts for 11 percent of jobs in low-wage counties.

The low-wage counties rely more on government and government-sponsored enterprises (the largest of which is the U.S. Postal Service) for jobs, but not because government jobs are concentrated in low-wage counties. In fact, there is one government job for every 12 residents in other rural counties while there is one government job for every 13 residents in low-wage counties. The greater dependence of low-wage counties on government jobs reflects lower numbers of jobs in other industries relative to the normal need for government services, such as law enforcement, public education, and mail delivery.

Table 2

Real earnings per nonfarm job, by place of work, selected years

Earnings per job in low-wage nonmetro counties did not improve relative to earnings in other nonmetro areas during the 1990's, and both types of nonmetro counties fell farther behind metro areas

Place of work	1989	1991	1997
		1997 dollars	
Nonmetro	23,059	22,473	22,985
Low-wage	18,654	18,022	18,345
Other	23,388	22,809	23,341
Metro	31,230	30,955	32,825
United States	29,875	29,529	31,144
		Average annual change	
	1989-91	1991-97	1996-97
		Percent	
Nonmetro	-1.3	0.4	1.3
Low-wage	1.7	.3	1.5
Other	-1.2	.4	1.2
Metro	-.4	1.0	2.1
United States	-.6	.9	2.0
		Ratio of earnings to metro earnings	
	1989	1991	1997
		Percent	
United States	-0.6	0.9	2.0
Nonmetro	73.8	72.6	70.0
Low-wage	59.7	58.2	55.9
Other	74.9	73.7	71.1

Source: Calculated by ERS using data from the Bureau of Economic Analysis.

Low-Wage Counties' Economies Tend To Be Small and Remote

According to ERS' typology of nonmetro counties, 48 percent of low-wage counties' economies depend on farming for a large share of earnings. According to ERS' urban influence codes, 52 percent of low-wage counties are completely rural (they lack a town of even 2,500 residents) and not adjacent to metro areas. With so many remote, small county economies, it is not surprising that their nonfarm earnings are lower than in other rural or urban counties. Looking at the number of establishments in each private industry group in the low-wage counties shows the small number of local employers. In all nine private industries, low-wage counties average fewer employers and fewer jobs per employer (table 4). The low-wage counties have much smaller populations on average than other nonmetro counties, and the numbers of establishments are in line with the size of county populations. Regardless, few small employers tend to create less competition for workers than many large employers, and less competition decreases pressure to raise wages.

Most Low-Wage Counties Also Have Low Income

Many people work outside their counties of residence, bringing home earnings to their counties. ERS' county typology indicates that 21 percent of the low-wage counties have 40 percent or more of their workers employed outside their counties of residence. Farm incomes and income from sources other than earnings, such as interest, dividends, rents,

Table 3

Real earnings per nonfarm job in low-wage counties by major industry group, 1997

Low-wage counties' earnings trail other nonmetro counties' earnings in all nonfarm industries

Industry group	Low-wage counties		Other nonmetro counties	
	Earnings per job	Change, 1996-97	Earnings per job	Change, 1996-97
	Dollars	Percent	Dollars	Percent
Nonfarm	18,345	1.5	23,341	1.2
Agricultural services, forestry, fishing, and other[1]	11,628	2.2	12,516	.5
Mining	26,394	5.4	41,852	1.4
Construction	20,895	.7	25,912	.1
Manufacturing	22,646	3.9	32,670	2.6
Transportation and public utilities	28,740	-.8	33,654	-.6
Wholesale trade	24,283	2.2	29,219	2.8
Retail trade	12,508	1.3	13,860	1.4
Finance, insurance, and real estate	14,345	-.7	17,290	.1
Services	15,415	2.2	19,234	1.4
Government	23,077	.7	26,707	1.0

[1]Other is employees of foreign embassies working in the United States.
Source: Calculated by ERS using data from the Bureau of Economic Analysis.

Table 4

Average establishments per county and wage and salary workers per establishment, by major industry group, 1996

Compared with other nonmetro counties, low-wage counties average fewer business establishments and fewer workers per business in all nine major private industry groups

Industry group	Low-wage nonmetro counties		Other nonmetro counties	
	Establishments per county	Wage and salary workers per establishment	Establishments per county	Wage and salary workers per establishment
	Number			
Agricultural services, forestry, and fishing	4.3	4.4	11.6	4.9
Mining	2.2	9.5	5.6	20.3
Construction	24.4	4.1	71.8	5.5
Manufacturing	13.8	29.1	41.7	50.6
Transportation and public utilities	15.6	6.3	37.2	10.3
Wholesale trade	15.2	7.5	40.7	9.4
Retail trade	65.4	8.1	172.5	10.6
Finance, insurance, and real estate	18.7	5.6	52.1	6.3
Services	70.4	8.6	208.0	10.7

Source: Calculated by ERS using data from the Bureau of the Census' 1996 County Business Patterns file as enhanced by Claritas, Inc., to estimate suppressed data items.

and government-transfer payments, also contribute to people's incomes, but are not considered in the low-wage county definition or in the analysis of nonfarm earnings per job. These sources of income could raise county economic status above that indicated by low-wage status.

Investigation of the Bureau of Economic Analysis' personal income data series, however, indicates that low-wage counties, and the commuting counties among them, tend to be low-income counties as well. When all U.S. counties are ranked by 1997 per capita

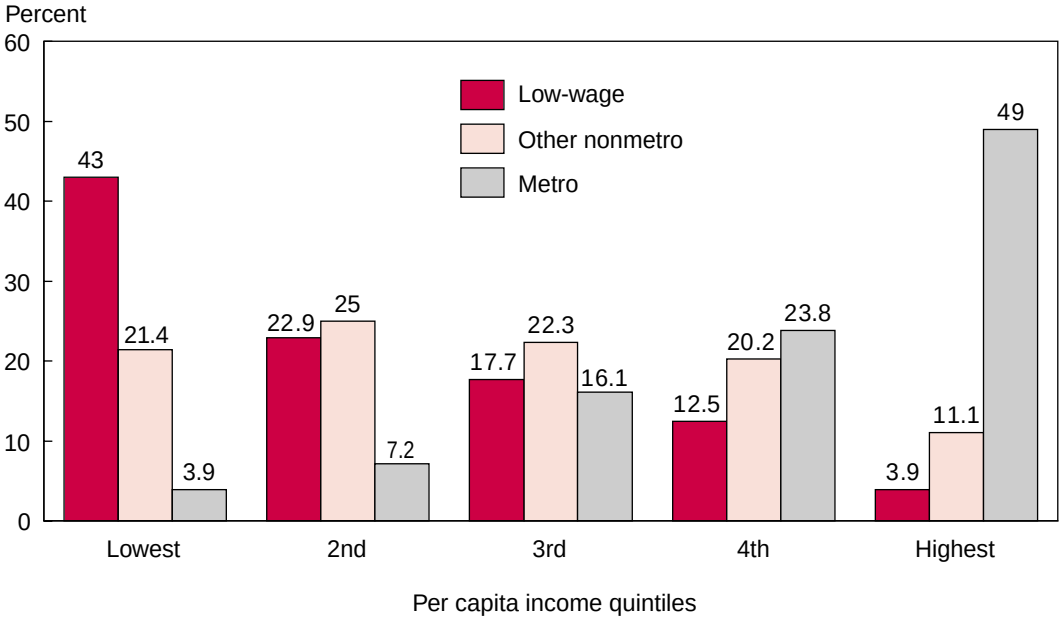
income and that distribution is divided into quintiles, 43 percent of the low-wage counties fall into the lowest income quintile (fig. 2), as do 50 percent of the low-wage counties with large numbers of commuters. Most remaining low-wage counties are in the next two higher income quintiles, with few making it into the top two income quintiles. Farm income as a share of total county income rises from 2 to 6 percent of low-wage county income as the income quintile rises. Dividends, interest, and rent are more strongly related to low-wage counties making it into higher income quintiles. That source of income rises from 14 percent of income in low-wage counties in the lowest income quintile to 29 percent of income in the low-wage counties in the highest income quintile.

Although the low-wage counties' earnings improved in the last year, these earnings numbers are subject to revision when the Bureau of Economic Analysis releases its 1998 estimates. It would be premature to characterize the 1996-97 improvement as the start of a trend. *[Linda M. Ghelfi, 202-694-5437, lghelfi@ers.usda.gov]*

Figure 2

Distribution of counties across per capita income quintiles, 1997

Low-wage nonmetro counties are concentrated in the lowest fifth of per capita incomes nationwide



Source: Caculated by ERS using data from the Bureau of Economic Analysis.